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RUEAIIA/CIA WASHINGTON DC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC PRIORITY

RHEFDHS/DIA DHS WASHINGTON DC PRIORITY

RHMFISS/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY

RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 BANGKOK 000320

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STATE FOR EAP, EEB

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COMMERCE FOR EAP/MAC/OKSA FOR JKELLY

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E.O. 12958: DECL: 02/05/2020

TAGS: ECON ETRD EINV PREL KHLS EWWT TH

SUBJECT: THAI FINANCE MINISTER REAFFIRMS TO AMBASSADOR

COMMITMENT ON ISSUES OF CONCERN

REF: A. BANGKOK 248 (FINANCE MINISTER'S PLANS ON 3G)

1B. BANGKOK 234 (MAP TA PHUT)

1C. 09 BANGKOK 2969 (MODERNIZING CUSTOMS)

1D. 09 BANGKOK 2320 (MEETING WITH DEPUTY FINANCE
MINISTER)

1E. 09 BANGKOK 1574 (MEETING WITH FINANCE MINISTER
KORN)

Classified By: Ambassador Eric G. John, reasons 1.4 (b) and (d)

11. (C) Summary: In a February 4 meeting, Finance Minister Korn Chatikavanij reaffirmed to the Ambassador his personal commitment to working through economic and commercial issues of concern to the USG and U.S. businesses. Korn informed the Ambassador that draft customs law amendments may be presented to the Cabinet as early as next week. On the Map Ta Phut impasse, the Minister explained that the Thai government is discussing with private firms a possible way forward on their investment plans after the January court decision stymieing their hopes to proceed, and noted Prime Minister Abhisit's personal efforts to shore up investor confidence. The Minister detailed his plans to move forward the auction and licensing of third generation (3G) telecommunications services. He also pledged to look further into insurance industry concerns about required asset sales and Thailand's possible ratification of the Cape Town Convention to assist aircraft sales. The Ambassador noted his hope that the Finance Ministry's Customs Department will soon take full ownership of Megaports radiation detection equipment. End Summary.

Engaging on Megaports, Cape Town

12. (C) In an afternoon meeting at the Finance Ministry on February 4, Ambassador John explained to Minister Korn Chatikavanij that he will meet in Washington next week with U.S. government and business leaders to discuss areas of continued and potential bilateral cooperation between the U.S. and Thai governments, among other topics. In that regard, the Ambassador informed Korn of the status of our cooperation on Megaports (ref d) and expressed his hope that the Finance Ministry's Customs Department will soon take full ownership of the USG-provided equipment. The Ambassador also flagged for Minister Korn the Cape Town Treaty, informing Korn that Thai Airways has advocated strongly to the Ministry of Transport its interest in Thailand's ratification of the accord. Upon Korn's admission that he is not too familiar

with the Treaty, the Ambassador explained the U.S. would welcome Thailand's ratification of it since it offers protections to reduce the risk in cross-border aircraft financing, thereby saving airline companies millions of dollars. Korn responded that, generally speaking, he supports initiatives of Thai Airways President Piyasasti Amranand. (Note: The Embassy will send the Minister's staff background information on the Cape Town Treaty as part of our efforts to seek Thailand's eventual ratification. End Note).

¶13. (SBU) The Ambassador also sought from Korn updates on economic and commercial issues of continued concern from the U.S. perspective (i.e., customs reform, Map Ta Phut, telecom concessions, and shares of insurance firms). Korn was quick to provide the Ambassador his news and views on the latest developments from his perspective.

Customs Reforms Moving Ahead

¶14. (C) Korn told the Ambassador that draft amendments to Thailand's customs law will be sent to the cabinet shortly, hopefully as early as next week (ref c). Korn stated the amendments, which make the customs regime more transparent "will look good from your perspective." (Note: Foreign Chambers of Commerce in Thailand had not yet reviewed the most recent changes to the draft amendments as of February 4, although they had seen earlier versions. After initial review, Chamber members were pleased the drafts called for binding arbitration decisions by the Customs Department, thereby alleviating third-party interference from other

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agencies. End Note.) He also explained that subsequent to the submission of the draft amendments to the cabinet, Korn intends to focus on the controversial customs reward-sharing system through which informants and customs officials can receive up to 55 percent total of penalty revenue on an individual case. As an aside, the Minister revealed he selected new Customs Director General Somchai Sujjapongse largely because he is considered "clean."

¶15. (C) Minister Korn pointed to a case in which the Ministry's Customs Department made specific efforts that assist U.S. firms Coca-Cola and Pepsi. He noted the Customs Department's decision to penalize a Peruvian soft-drink company for improperly declaring its ex-factory costs and thus paying lower excise taxes. In addition to the penalty, the firm will be required to sell its product at prices in line with those of market competitors. Korn also told the Ambassador that Prime Minister Abhisit reaffirmed that, if requested by Coca-Cola, the government should not disallow the U.S. company from increasing its prices. Korn went on to say that, in his opinion, Coca-Cola's complaint on this issue is spurious since the firm knows the price of soft drinks is elastic and therefore has no intention of increasing the price of its product.

Exploring Options at Map Ta Phut

¶16. (C) "The Prime Minister is handling himself" the Thai government's efforts to resolve as expeditiously as possible the Map Ta Phut impasse (ref b), said Korn, informing the Ambassador that Prime Minister Abhisit met February 2 with representatives of the Japan External Trade Organization (JETRO) (Note: Korn also mentioned a March visit by senior Thai government officials to Japan to meet with Japanese firms, although it was unclear who would lead the delegation. End Note.) Korn acknowledged the Thai government is in discussions with the firms whose petitions to be released from suspension were rejected by the Central Administrative Court on January 22. The Court ruled that their 30 projects in Map Ta Phut had yet to comply with constitutional requirements (ref b). Under consideration is a possible umbrella appeal of the Court's decision by the Thai

Government's Office of the Attorney General (OAG) on behalf of the firms, or the OAG's cooperation with the firms on appeals they will file individually. At the same time, Korn confided that the Prime Minister does not have full confidence in the Office of the Attorney General's understanding of the Map Ta Phut issue.

¶ 17. (C) Korn also explained the Thai government is assisting Ford Motor Company with an appeal to allow for its purchase of land from a project affected by the court decision since Ford does not intend to use the land for any purpose that could be harmful to the community in terms of health or the environment.

Korn's Telecom Deal

¶ 18. (C) Korn provided the Ambassador an explanation of his effort to broker a deal that will allow for Thailand's auction and licensing of third generation (3G) telecommunications services. He noted the trick will be to broker a concession conversion deal that will satisfy industry stakeholders while preserving for the Thai government remittances from existing concessions (ref a). Korn laid out his basic strategy: convert the existing concessions into long-term licensing agreements that will ensure greater revenue for the Thai government over the long-run and provide operators with greater security to maintain their networks. Korn noted his optimism that he will be able bring the various stakeholders, including the powerful state-owned enterprises TOT and CAT Telecom, on board. Korn also mentioned an "important side issue" will be whether the proceeds from an earlier telecom concession deal given to former Prime Minister Thaksin's company, AIS, will be included in the upcoming Supreme Court ruling on Thaksin's assets. (Note: In 2001, when Thaksin's Shin Corporation still

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owned AIS, the government-owned TOT lowered the concession fees for AIS from 25 percent to 20 percent. Corruption allegations emerged that Thaksin had forced the decision. End Note.)

Insurance

¶ 19. (C) The Ambassador told Minister Korn that several American insurance companies have approached the Embassy with concerns that they may have to sell down their shares of their Thai businesses in order to comply with new requirements under the 2008 Insurance Acts. Korn, who did not appear aware of the concerns, stated he would look into them. He suggested (off-the-cuff) that perhaps one workaround would be to allow the affected insurance firms to maintain shares above 50 percent if the assets were acquired before the law's implementation (i.e., grandfathering), and only enforce the new restrictions on new capital acquired. (Note: The Minister's comments do not track with our understanding of the Insurance Acts, which state that the companies have five years to restructure and reduce their foreign shareholdings to 25 percent. The Finance Minister can approve higher levels of foreign ownership. The Embassy will engage the Minister's staff directly to continue advocacy on this issue. We will also report septel on our engagement with the affected American companies. End Note).

JOHN